

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 13, 2003

TO: Honorable Teel Bivins, Chair, Senate Committee on Finance

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB340 by Staples (Relating to the rendition of property for ad valorem tax purposes; providing civil penalties.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB340, Committee Report 1st House, Substituted: a positive impact of \$13,773,000 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$0
2005	\$13,773,000
2006	\$115,694,000
2007	\$202,465,000
2008	\$212,589,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings from <i>FOUNDATION SCHOOL FUND 193</i>	Probable Revenue Gain from <i>School Districts</i>	Probable Revenue Gain from <i>Cities</i>
2004	\$0	\$0	\$22,996,000	\$6,800,000
2005	(\$9,223,000)	\$22,996,000	\$112,652,000	\$57,124,000
2006	(\$19,954,000)	\$135,648,000	\$87,552,000	\$99,967,000
2007	(\$20,735,000)	\$223,200,000	\$22,495,000	\$104,966,000
2008	(\$33,106,000)	\$245,695,000	\$21,370,661	\$110,214,000

Fiscal Year	Probable Revenue Gain from <i>Counties</i>
2004	\$2,927,000
2005	\$24,585,000
2006	\$43,024,000
2007	\$45,175,000
2008	\$47,434,000

Fiscal Analysis

The bill would amend various sections in the Tax Code concerning the rendition to appraisal districts

of personal property used or held for the production of income. The bill would require a rendition statement to include: the property description; if inventory, a description of the type and quantity; and the owner's good faith estimate of market value or acquisition cost and year of acquisition. (Owners of personal property with a value less than \$20,000 would be required only to provide name, address, a general description of property, and physical location.). An owner's good faith estimate of value would not be admissible in any proceeding involving the property, except for compliance with this bill. The owner, on request of the chief appraiser, would be required to provide supporting information concerning the owner's good faith estimate of value. The bill would provide monetary penalties for failure to timely file a rendition statement and for filing a fraudulent statement with intent to evade taxation. The chief appraiser could waive penalties if an owner exercised reasonable diligence or substantially complied with filing requirements.

The chief appraiser could not add the value of omitted property to the 2001 or 2002 appraisal roll if a person files a rendition statement as required by this bill for the 2003 tax year.

This bill would shift the burden of proof before the appraisal review board from the appraisal district to a property owner who failed to deliver a rendition statement or property report to the chief appraiser.

Methodology

Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. Passage of this bill could cause a change in school district taxable values reported to the Commissioner of Education by the Comptroller and a decrease in state costs to the Foundation School Fund.

The Comptroller's office conducted a survey of representative large appraisal districts requesting an estimate of the amount of market value that could be added to local tax rolls if the appraisal districts implemented the provisions of the proposed bill. The average percent increase in personal property value was applied to the state personal property value to estimate the statewide personal property value gain. Gains were phased in over three years, assuming that central appraisal districts would require three years to fully inform taxpayers and train staff to implement the new law. Tax rates could be reduced in some taxing units because of the rollback rate provisions of the Tax Code. Tax rate reductions would reduce the gains in these units. However for this estimate, these tax rate effects were not taken into account. A trend factor of five percent per year was used to account for increases in tax rates and the amount and value of property affected by the new law. Through the operation of the school funding formula, school district gains would shift to the state after a one-year lag.

The estimated fiscal implications to the General Revenue Fund reflect estimated dynamic tax feedback effects created by the increase in industry and/or individuals' tax burdens. The dynamic tax feedback effects are shown only with respect to the loss incurred by the General Revenue Fund.

Local Government Impact

The impacts on units of local governments are shown in the above tables.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JK, JO, SD, WP, DLBe